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The legacy of Bob and Gladys Beal

Robert K. and Gladys M. Beal Commemorative Issue
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Features

06 The legacy of Bob and Gladys Beal
By 1991 IREM President John W. Magnuson, CPM

10 Staying on top of budget season
By John Salustri

16 Managing the unexpected
By John Salustri

26 In search of income
By Thomas A. McAndrews, CPM, CSM

30 Short circuit

Departments

34 Global practices

36 Committee central

38 Property spotlight

40 Government affairs

42 Talent management

44 Member updates

46 New certifications

JPM Online
Check out JPM’s magazine website at jpmonline.org.

04 Dashboard
Virtual property tours, pandemic recovery and the 6 feet office

Cover image: Courtesy of Nancye Kirk
Don’t judge each day by the harvest you reap, but by the seeds that you plant.
—Robert Louis Stevenson

This special commemorative issue of JPM honors Bob Beal, CPM, and his wife, Gladys, who inspired countless CPMS and ARMs throughout the 40+ years they were involved with IREM.

The Beals continue to inspire future generations of real estate managers through their very generous gift made to the IREM Foundation. Turn to P6 to learn more about these pillars of the IREM community and how you too can contribute to the Robert K. and Gladys M. Beal Fund, which will support the Beals’ desire for IREM to prosper, lead, educate, create passion and endure in the field of professional real estate management.

In the more than 50 years that Bob spent managing real estate, he weathered many changes to our industry and relied on IREM and its resources to persevere. Today, with the novel coronavirus and rising international movements against racial injustice, we are presented with events that are impossible to ignore and that demand rapid and often sweeping change of our current practices. Like Bob, we can rely on IREM to be our constant through these times of change.

As property managers, we’re used to turning on a dime but, amidst the new realities that come with COVID-19, there is a universal desire to maintain the physical, financial and mental health of those properties, those who live in them, work in them and work in support of managing them. You’ll see how they are living up to those properties, those who live in them, work in them and work in support of managing them. You’ll see how they are living up to the Beals’ desire for IREM to be the last one done in print. JPM will then be available in a digital-only format, which enables you to get the content, news and insights you look for in a quick and safe manner, anytime and anywhere. And by being paperless, it promotes green business practices.

Like Bob and Gladys Beal, I invite you to identify opportunities to inspire others to explore the benefits of a meaningful real estate management career. Whether you’re able to share a kind word with a young professional, exchange ideas with a colleague or donate to the Robert K. and Gladys M. Beal Fund, there are countless ways each of us can contribute to the growth and development of an industry we all love. You’ll be surprised how even the smallest action can reap tremendous rewards.

Amidst these new considerations, there are still permanent footprints in our work, one being financial management. It’s a core principle at IREM; establishing sound financial practices allows flexibility to pivot priorities when needed—like now—because it provides a bedrock for all property management activities. Yet, despite its constant presence in our businesses, even financial management practices occasionally need to be adjusted to address what Steve Margerum, CPM, calls “outliers” in the feature Staying on Top of Budget Season on P10. You’ll get some good tips for maintaining consistency and rigor in your budgeting process, even as world events turn those budgets upside down.

IREM remains a constant for those of us in the real estate management industry, and the Institute continues to grow and evolve to meet the needs of current and future generations of real estate managers. This is true for JPM, too. The COVID-19 pandemic accelerated the world’s move to a virtual environment. At IREM, we’re continually looking for ways to provide our programs, products and services in this new digital world. So, this commemorative issue of JPM will be the last one done in print. JPM will then be available in a digital-only format, which enables you to get the content, news and insights you look for in a quick and safe manner, anytime and anywhere. And by being paperless, it promotes green business practices.

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Paying it forward

Houston, Texas-based Camden Property Trust, AMO, gave out-of-work residents a financial helping hand. The Camden Cares Resident Relief Program provided $5 million in aid to financially hit residents in Camden’s 165 multifamily properties in the U.S. Residents who could show that their income loss was coronavirus-related were eligible for up to $2,000 per household.

Source: Dallas Morning News, “Texas apartment company offering renters $2,000 in aid during COVID-19 pandemic”

Virtual showings—for now and the future

Whether you are conducting a virtual property tour out of necessity or convenience, Mabel Guzmán, the 2020 vice president of association affairs for the National Association of REALTORS®, shares 3 tips on how to make these showings a success.

1. Choose the appropriate app. Ask your client about their app of choice, like Google Hangouts or FaceTime. Make it easy for them.
2. Communicate the size of the space. Point out high ceilings and give them perspective.
3. Debrief with your client. Ask your client the right questions. Was this a good experience for them? How can you make it better for them next time?

Source: National Association of REALTORS®

Recovery plan

In terms of operating metrics leading up to the crisis, how long do you think it will take to get your business back to those levels after the pandemic subsides?

<table>
<thead>
<tr>
<th></th>
<th>Multifamily (5 or more units)</th>
<th>2-4 unit properties</th>
<th>Single-family</th>
</tr>
</thead>
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<tr>
<td>Less than 6 months</td>
<td>33%</td>
<td>62%</td>
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<td>6-11 months</td>
<td>45%</td>
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<td>0%</td>
<td>4%</td>
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<tr>
<td>Never</td>
<td>0%</td>
<td>6%</td>
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The 6 feet office

After helping thousands of organizations in China transition back to work, Cushman & Wakefield, AMO, created a concept for the post-COVID-19 workspace: the 6 feet office. Implemented in their Amsterdam headquarters, it consists of the following elements:

6 feet quick scan: A concise but thorough analysis of the current working environment, with virus safety and any other improvements in mind.
6 feet rules: A set of simple and clear guidelines that put everyone’s safety first.
6 feet routing: A visually displayed and unique instructional map for each office, making traffic flows completely safe.
6 feet workstation: An adapted and fully equipped workplace at which the user can work safely, complete with paper desk pads that are disposed of daily.
6 feet facility (manager): A trained employee who advises on and ensures an optimally functioning and safe workplace.
6 feet certificate: A certificate stating that measures have been taken to implement a virus-free working environment.

Source: Cushman & Wakefield, AMO

“Financial responsibility is a mindset before it is an action. Therefore, if you can change a mindset, the actions follow almost naturally.”

—Brandon Turner, real estate investor and entrepreneur
The legacy of Bob and Gladys Beal

The IREM Foundation receives a generous gift from longtime Institute champions

By 1991 IREM President John W. Magnuson, CPM

There was a period of time in IREM history when most members and staff either knew or knew of Bob and Gladys Beal. They were a wonderful couple and perhaps, to borrow a term from Gestalt philosophy, their “whole” was greater than the sum of their parts. It would be difficult to put a number on how many CPMs and AEMs were born out of their generosity and mentorship.

Those who knew Bob, a longtime CPM and friend of IREM, would say he was more interested in turning the spotlight away from himself and instead directing it toward others, helping them succeed to higher levels of achievement. He had high expectations for those he took under his wing, and he proved an inspirational and paternal leader. And he was an inclusion, a connector. If you came for a visit, Bob ensured it was an experience by taking you fishing or setting up a meeting with the governor.

Bob and his wife, Gladys, had a deep love for IREM and wanted to share this love with others. They generously named the IREM Foundation as beneficiary to their trust. The Foundation has received over a million dollars in distributions from the trust to date, an unprecedented gift. The funds will be used to support the Beals’ desire for IREM to prosper, lead, educate, create passion and ensure in the field of professional real estate management.

Below are some more memories of Bob and Gladys, shared by several IREM members who knew them well. Their stories should give you plenty of insight into a couple who made IREM a very special place to learn, lead and, as you’ll read, make lasting friendships.

The IREM Foundation is truly blessed by the gift it’s received from Robert K. and Gladys M. Beal.

I had the opportunity to be friends with Bob and Gladys Beal for over 30 years. I learned that there was so much more to the little good-hearted couple from Little Rock who could charm the bark right off a tree. Over the years, their devotion to IREM and what it stood for became both well-known and well-documented. Bob and Gladys became legendary role models for IREM friends and peers. Their generous gift to the IREM Foundation will help sustain the organization’s mission and cement the Beals’ legacy into the annals of IREM history.

—Michael Simmons, CPM

1999 IREM President

I’ve never been able to remember meeting Bob Beal—he was just always there. As I became more and more involved with IREM, I became more aware of his presence. Perhaps that says more about him than one would realize at first blush. Bob was never the one leading the parade—he was always pushing from the back, making sure everything was moving in the right direction. His easy way and Southern charm made him a natural influencer, and I’m sure those who benefited from his efforts will attest to his effect on their success.

Bob and Gladys were easy to be around; whether you were an old friend or new acquaintance, they welcomed you with open arms. Conversations quickly turned into one-liners and a comedy act that never got old. I prefer to remember Bob through his funny stories and quaint Southern sayings. He could always bring a smile to my face. I miss you, Beady Eyes.

—Robert Click, CPM

2008 and 2009 IREM Foundation President

Bob and I met in a cocktail lounge over 35 years ago while attending an IREM national meeting. Our cherished friendship was built around IREM, sailing trips (he began as a valued crew member and reached the rank of Purser), the “National Advisory Board” (a group of IREM friends that has been meeting annually for over 35 years), his wife (“The Lil Darlin’”—who was responsible for all the good things Bob did) and golf (he never gave me a putt in almost 40 years!).

He was a cherished friend who I’ll never forget. He set the standard for creating and maintaining relationships through all he touched and will long be remembered as “one of a kind.”

—Bill Borsari, CPM

1992 IREM President

Bob Beal and I served together on the IREM Income/Expense Analysis Advisory Board for several years. Various members and visitors to the board would come and go during that time, but Bob was an absolute fixture.

Speaking of “Absolut” reminds me how he would order the first pre-dinner drink at “National Advisory Board” dinners. He would painstakingly review all the ingredients of his drink orders with our sometimes confused servers.

—Tom Hirsch, CPM

Minneapolis, Minnesota

Robert K. Beal was my mentor and a driving force in the real estate management profession. I graduated from Harding University in 1969 with the full intention of teaching school and coaching basketball. I did just that for over seven years, until I entered a profession that was foreign to me.

After finding out about a property management position opening at Rector Phillips Morse (RPM), Inc. I thought I would apply and see what happened. That was the first time I met Mr. Beal. I was hired after a few interviews, each lasting a bit longer than the previous one.

I had no idea what I was supposed to do or accomplish, but I was assigned about 200 small apartment and single-family
The generous gift to the IREM Foundation from Mr. and Mrs. Beal goes far beyond the financial donation. They welcomed and nurtured me and a generation of young CPMS who made significant contributions to IREM that will last forever. I am truly blessed and grateful to have known the Beals.

—E. Craig Suhrbier, CPM, CRE, FRICS

2001 IREM President

I miss Bob. So many memories. Long days under sail, his point-on aphorisms, fishing the White River. It has been a while but seldom does a week pass where I don’t think of him. Bob “Beary Rye”—hard on the outside, soft and empathetic inside. It was a privilege to know him. His numerous contributions to IREM—most especially this final one—will have a lasting impact on the organization he loved. Thanks, Beary.

—Ed Boucette, CPM

2002 IREM President

Bob Beal, CPM®, and his wife Gladys were IREM legends. Bob knew the value of an IREM education, and he and Gladys proudly mentored, funded, and encouraged countless real estate managers on the path to IREM designations and certifications.

In 2013, Bob and Gladys passed away, just weeks apart. But their legacy lives on through the IREM Foundation.

Thanks to their generous bequest, the Robert K. and Gladys M. Beal Fund will create opportunities for people involved with, thinking about, or ready to benefit from a career in real estate management.

You can become part of the Beal legacy and help pave the way for others. Make your donation today.

Donate at irem.org/bealfund.
Budget season is upon us. But in reality, for strategically focused property managers, it never ends. “I’m even getting tired of the phrase ‘budget season,’” says Salvatore Dragone, CPM, CCIM. “The reality is that you’re constantly looking at expenses relative to budget and constantly making adjustments in spending so you can stay on track with the roadmap you created.”

Stephen D. Margerum, CPM, ARM, agrees. “Budget season starts officially in the summer and goes through the winter,” says the principal and founder of Cowy Property Management, AMO, in Annapolis, Maryland. “Then in the spring, we get ready for the next summer. There’s a phrase that’s popular in IREM: ‘If you can’t measure it, you can’t manage it.’ So, we’re always reforecasting, analyzing and getting ready for the next budget season.”

Dragone is a senior vice president and director of property management at Rubenstein Partners in Philadelphia, whose affiliates own and operate over 12 million square feet of commercial office space in the U.S., largely concentrated on the East Coast. He says that being in a perennial budgetary mindset is critical to the accuracy of forecasts and the necessity of staying in line with ownership’s goals. To that end, he breaks his process into tiers: “We do a monthly variance report, in which our property managers go through each line item and provide a narrative explaining the variance from the annual operating budget.”

Staying on top of budget season

Demystifying the many tasks of an endless cycle

By John Salustri
Quarterly reforecasts of the annual operating budget are in the second tier. Since Rubenstein works on a calendar year, “The first quarter is a soft forecast because we have only so much information at that time,” says Dragone. “The reforecasts don’t change the budget. Once a budget is cast, it’s cast. But they give the property manager, the asset manager and me an indication of the direction we’re going in.”

Second- and third-quarter forecasts follow, each serving as “a stepping stone,” adding another brick to the soft forecast because we have only so many devices in place. “There is quite a few, if not hundreds of items per budget,” to screen before the budget proposal gets passed up the line of command, says Margerum. He notes that different managers use different approaches, whether that’s a zero-based approach, which entails building a new annual budget from the ground up, or a history-based approach, which uses past actual financial data.

Both methods entail such critical details as calling the local utilities for usage rates and looking at what Margerum calls outliers—the anomalies that can throw off accurate cost analysis. “This past winter, with a nearly nonexistent snow-removal need, is just one example. ‘We remove outliers to ensure we’re providing the most realistic budget,’ he says.

Zero-based budgeting is clearly a great tool for a new building, but as IREM Academic member Terry Fields, associate professor and director of the Washburn Property Management and Real Estate Program at the University of Alaska in Anchorage, suggests, it can also be helpful for existing properties. “It de-emphasizes the historical data and forces the manager to reevaluate the item in a different context,” he says. “The exercise of trying the expense to your strategic plan instead of a historical figure may provide a more accurate assessment or at least act as a check on your historical analysis.”

Staying in step

The constant review and benchmarking are key to producing numbers that are both realistic and accurate. They also help you know where the property is headed and how close to ownership’s expectations you are. “Providing unrealistic figures in an attempt to impress the owner or asset manager doesn’t benefit either party in the end,” says Fields.

“Avoid, also, suggesting a strategy that’s not in line with the owner’s goals, regardless of its accuracy, is a wasted effort,” he says. “Managers should identify clear goals from the beginning, reaffirm those goals at the start of the budget process, identify strategies and projections and present these findings objectively as they relate to the owner’s expectations, completing the loop.”

For both Margerum and Dragone, constant checks of what is happening at their properties are essential to the accuracy part of the equation. For the alignment with ownership’s goals, “Over-communicating is essential, especially with third-party owners,” says Margerum, “and transparency is paramount. We have multiple owners and investors, and in times like these, when we’re dealing with the coronavirus, we’re in communication daily.” (More on that shortly.)

Dragone notes that there are pros and cons with both ownership structures. On one hand, when the owners are the operators and have in-house management, the managers usually receive clearer direction on how the owners like to do things or what’s expected in terms of the level of operations. But that also means there can be a lot of ownership input or the need to create multiple budget scenarios in order to explore different results, to ownership’s expectations you are. "Providing unrealistic figures in an attempt to impress the owner or asset manager doesn’t benefit either party in the end," says Fields.

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“VendorCafe has enabled full transparency with our vendors and has allowed us to continue collaborating closely with them while continuing to facilitate social distancing.”

BH MANAGEMENT SERVICES, LLC
Krystin Reuter
Director of Procurement

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- Enables real-time transparency with vendors
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potentially slowing the process,” Dragone says.

On the other hand, third-party managers working with non-institutional owners may find the process easier at times since the owner has less familiarity with operating real estate and is putting their full trust in the manager. This translates to fewer budget scenarios or changes as long as the income meets their investment objectives. But that lack of a singular owner could mean multiple accounting systems and budgeting programs, as well as different reporting requirements.

Also, Margerum allows, “ownership goals do change. The ultimate goal of most owners is to eventually sell, and that could be at any given time as the world, cap rates and interest rates change. The only way to stay on top of that is through constant communication.”

COVID-19: the great anomaly
Among the outliers that can throw off accurate budget analysis, COVID-19 “takes the cake,” says Terry Fields. And at this point, it’s frankly too early to say with certainty how it will impact next year’s numbers.

When managers’ attention turns to their 2021 budgets, “there’ll be some interesting shake-ups in the process,” he says. “Mainly, relying on 2020 historical data may prove to be extremely unreliable. Figures on vacancy loss, turnover, delinquencies, fees, payroll, etc., could be wildly skewed.”

Nevertheless, he notes, there are lessons to take away. For instance, says Fields, “Seeing governments step in to stop evictions, freeze and suspend rents and stop business activities may force owners to reassess their comfort level with leverage and cash reserves. This could impact their capital allocations, debt behaviors and cash holdings moving forward to better prepare for unforeseen disruptions, pandemic or otherwise.”

Dragone agrees that, as of this writing, it’s too early to talk about the long-range impact of COVID-19. “There are obviously going to be some variances and weaknesses to 2020 expenses,” he says, “first and foremost in utilities. With so many buildings going vacant, we’re seeing decreases in usage from 5% to 20%. That’s going to be an important factor for next year’s budgeting.”

Ancillary income, such as charges for conference center or parking garage use, is also taking a hit. “We have public garages, and volume is down by 70% or 80%,” Dragone says. And the drop won’t simply correct itself when operations ramp back up. “It will take time for people to get back to their routines, and some of those may change forever. So that ancillary income has to be truly scrutinized, not just for now but going forward.”

There are proactive steps that managers can take, even as we find ourselves knee-deep in the here-and-now. As Margerum explains: “In March, we created a COVID-19 supplies expense category, so we can measure our expenses throughout the crisis. That information will also help with any insurance claims as well as informing the outlier narrative for next year’s budget.

Indeed, it’s an odd time for budget forecasting. But the magnitude of the anomaly that property managers face right now makes it the perfect time to discuss how to create normalized and accurate data for your ownership. Because no matter the crisis, no matter how bizarre the times might be, budgets still need to pencil out.

Providing unrealistic figures in an attempt to impress the owner or asset manager doesn’t benefit either party in the end.

—Terry Fields, University of Alaska

John Salustri is a contributing writer for JPM.
Among the teams of heroes charged with public health and safety during the COVID-19 pandemic, property managers are key, charged with ensuring the safety of their tenants/residents, staff and guests on the property. Nothing surpasses the need for health and safety, and property managers, with their teams and service providers, take that seriously—never more than during this crisis.

The CPMs interviewed here have consistently put health and safety ahead of all else. But they also have a secondary mandate as they struggle to maintain the fiscal stability of the assets in their charge and face the implications of the economic slowdown caused by the virus.

Part of the issue is that different countries and jurisdictions are attacking the crisis with different plans. “The problem is very fluid right now, and every city is different,” says Helen Moise, CPM, CCIM, and a member of the Arlington City Council in Texas. In the U.S., for example, “Large cities over 500,000 will receive federal assistance that can be directed to rental and mortgage assistance. Arlington, with about 400,000 residents, must rely more heavily on our network of charity organizations and available funds through our housing authority.”

“Arlington, with about 400,000 residents, must rely more heavily on our network of charity organizations and available funds through our housing authority.” —Helen Moise, CPM, CCIM

Managing the unexpected

Property managers globally take on the COVID-19 challenge

By John Salustri
The critical question firms had to address at the onset of the pandemic was whether their employees are safe, followed by whether they’re available to perform critical functions,” says Tenyson Zhou, CPM, executive director and partner at YSS Asset Management Co., Ltd., in Shanghai City, China. “It’s important for me to be able to monitor the situation, provide a safe workplace and offer our employees the support they need.”

Zhou, who manages residential and office properties, says the outbreak in China occurred during the Chinese New Year, when offices were closed. “So, after discussions with our owners, we took immediate action to control and block access to all the buildings we manage, to prevent people from being infected.”

Some of the buildings in his portfolio are closed as of this writing.

Meanwhile, in Japan, the government is prohibited by law from closing buildings. But clearly, hotels wouldn’t need a government mandate even if it were available.

Masashi Kawakami, CPM, a sales manager for Massive Sapporo Co., Ltd., manages lodging facilities in Sapporo, Yokohama and Kyushu. “Hotels in cities are seeing occupancy rates lower than 10%, and almost all reservations have been canceled,” he reports. Stay-at-home orders have raised the occupancies of residential homes. “They’re nearly fully booked due to people evacuating cities. They’re almost all long-term stays, which is a small silver lining during the pandemic.”

The precautions Zhou took for his staff are similar to those practiced by CPMS globally. Gloves and masks have become standard while skeleton crews and remote communications have become the way services are delivered. “Our executive staff, including our property managers, can elect to work remotely, and most of them do,” reports Jeffrey S. Lapin, CPM, vice president of property management for Coastal Partners, AMO, in Rocklin, California. “The corporate office is open and I’m here every day. The engineering folks are exempted from the stay-at-home orders because they’re essential personnel. They’re wearing masks and gloves and we’ve instituted procedures to limit their exposure by not having them work in occupied spaces where we can avoid it. And of course, if they don’t feel well, they don’t come to work. Period.”

Most buildings have been closed to public access, and common-area amenities are either shuttered or cleaned on a ramped-up schedule. “We communicate with residents weekly on the precautions we’re taking,” says Chrystal Skaed, CPM, ARM, vice president of IREM Canada and a self-titled multifamily puzzle solver (and partner) at Clear Stone Asset Consulting Inc. in Calgary, Alberta.

She gives best practices to the residents in the 460-unit property she manages—tips such as “not touching elevator buttons with your hands and limiting the number of people in an elevator to two at a time. We also have a robust amenities area, and we’ve closed that completely. We’ve asked our janitorial contractor to step up sanitization in the common areas, with special attention to anywhere we have people in 14-day quarantines.”

She adds that she’s discontinued suite inspections and in-suite maintenance except for emergencies, and she’s prepared for vacancy inquiries, though the pandemic has slowed the pace of those. If a prospect voices interest in a suite, “We’re doing virtual tours on our website and via our smartphones.”

Robert Griswold, CPM, CRE, president of Griswold Real Estate Management, Inc., AMO, in San Diego, also has a plan in place should a prospect call. Griswold’s firm, which manages commercial and residential properties in California and Nevada, uses current tech like online floor plans, but also old-school techniques, such as key-drop baskets and door slots for paperwork.

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—Masashi Kawakami, CPM, Massive Sapporo Co., Ltd.

The business impact

While the full financial impact of COVID-19 still isn’t clear, the implications for rent revenue and the financial challenges for property managers were apparent from the start. After that initial blow, the impacts became even clearer, and managers began to see differences by market, property type and other factors.

“There are a large number of retail and office tenants negotiating rent payments,” reports Tokyo-based Hisakazu Sakihara, CPM, president of IREM Japan NPO and president and general manager of Owner’s Agent, Inc. “We’re also starting to notice residential tenants falling behind on rent payments.”

Government-subsidized rent relief is available in Japan in the form of residential personal income subsidies “provided to those who will have trouble paying rent,” Sakihara explains, adding that these have recently been expanded.

“Previously the program included those who lost income because they were laid off or their workplaces closed,” he says, “but now subsidies will also be provided to others who were unable to avoid a loss in income, as long as they meet a few conditions.” Subsidies, which are provided for up to nine months, are at a rate of 90% of the tenants’ previous rent payments, with the landlord responsible for the remaining 10%.

“Otherwise, it would be impossible to show people our apartments,” he says.

We communicate with residents weekly on the precautions we’re taking for them.

—Chrystal Skaed, CPM, ARM, Clear Stone Asset Consulting Inc.
There are a large number of retail and office tenants that are negotiating rent payments. We’re also starting to notice residential tenants falling behind on rent payments.

—Hidekazu Sakihara, CPM, Owner’s Agent, Inc.

Compassion, empathy & rents

“We’re in partnership with our tenants,” says Lapin, whose firm handles office and industrial assets in the U.S. “Some have requested rent relief, and we’re working with them. It’s not just a transactional relationship. Listening and helping is the best approach, and our tenants have been appreciative.”

Angela Aeschliman, CPM, CCIM, LEED AP, agrees. “About 70% of our tenants have come to us for guidance on rent relief,” says the IREM Chicago chapter president and senior vice president of property and asset management for The Missner Group.

She explains that The Missner Group has been communicating with tenants from the beginning, and “we led with empathy and compassion and wanted earnestly to know how we could help them. We didn’t just wait for a tenant to become delinquent.”

Nevertheless, her owners need to know who’s going to be able to pay rent. “We gave our tenants an open door to reach out to us, to see what solutions we could work out together,” she says, “but we did need to know if they were applying for any other funding.”

“We encouraged our tenants early on to apply for the various CARES Act programs,” says Velda Simpson, CPM, ARM, of Kairos One Realty, a developer/manager of commercial properties in the Atlanta area.

“We wanted to make sure tenants were doing all they could during this pandemic. We’re a team and we encouraged them to do their part.”

Simpson shares one way in which she approached her tenants with compassion during those first unpredictable weeks of the crisis. “I sent a personal wellness inquiry email for Easter to each tenant to make sure they and their families were safe. It wasn’t about any violations of rules and regulations or outstanding rent. We wanted them to know we’re here, and we’re praying for them. They were very appreciative.

“Still, many of them have come to us requesting relief,” she continues. “We’re waiving a late fee but, unfortunately, we aren’t allowed to forgive rental payment because of our financial obligation to the bank.”

Aeschliman adds that this business reality is a key part of Missner’s messaging as well. She underscores the fact that, “We’re a business too and we have mortgages to pay on these properties. We need to figure out how we’re going to manage our cash flow.”

Government relief efforts, while understandable during such a profound crisis, often complicate matters and have conflicting terms. Griswold points to the 120-day moratorium on evictions built into the CARES law, which has been thrown into overdrive in California.

“The Judicial Council of California came out with their own ruling that they will not accept unlawful detainers—evictions—for any reason or in any property type for at least 90 days after the governor has declared the emergency over.” Complicating the issue is the definition of what constitutes an end to the crisis.

“There’s also a timing disconnect between eviction moratoriums and owners’ own mortgage responsibilities. As IREM secretary and treasurer Barry Blanton, CPM, recently told GlobeSt.com, the stimulus contains ‘a mortgage forbearance clause for as long as 90 days, including extensions. But the moratorium on eviction relief for owners is 120 days.’”

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The bottom line is that nonpayment of a monthly loan for a couple of months will automatically trigger a foreclosure action.

—Robert Griswold, CPM, CRE, Griswold Real Estate Management, Inc., AMO

Gloves and masks have become standard while skeleton crews and remote communications have become the way services are delivered.
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Most property managers concentrate on expense reduction because they don’t believe they can control income or capitalization rate. Untrue! A good property manager should be able to reduce expenses, lower the cap rate and improve income. The latter option—increasing revenue on an office property—will be the focus of this article.

**Increasing income vs. decreasing expenses**
The goal of most asset managers is to maximize the building’s value. The primary way we value real estate is by using the income capitalization method. Simply put, the income or net operating income (NOI) divided by a capitalization rate will determine value. Property managers should focus on increasing income because it has a greater impact on NOI and value than reducing expenses.

To illustrate this point, let’s look at median collections and operating expenses for U.S. suburban office buildings:

<table>
<thead>
<tr>
<th>Source of data: 12019 Income-Expense Analysis</th>
<th>Suburban office buildings (medians, in U.S. Dollars)</th>
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</thead>
<tbody>
<tr>
<td>Total Collections</td>
<td>$21.63 PSF/year</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$8.59 PSF/year</td>
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</tbody>
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A 10% increase in collections would equate to an NOI of $12.95 PSF per year, a 16.6% increase. If you use a cap rate of 5% on those NOIs, you arrive at values of $278 PSF per year by decreasing expenses, versus $304 by increasing income.

This example illustrates why managers should also focus on income. The same percentage change in the income has a much greater impact on NOI and value.

**Finding income opportunities**
Now let’s examine the sources of income to help you focus your efforts.

<table>
<thead>
<tr>
<th>Downtown</th>
<th>Suburban</th>
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<tbody>
<tr>
<td>Office rent</td>
<td>85.23%</td>
</tr>
<tr>
<td>Pass-throughs</td>
<td>5.09%</td>
</tr>
<tr>
<td>Retail rent</td>
<td>2.87%</td>
</tr>
<tr>
<td>Parking</td>
<td>5.81%</td>
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<tr>
<td>Misc.</td>
<td>1.20%</td>
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</tbody>
</table>

Owners and managers should ask themselves if they can increase office rent, pass-throughs, retail rent, parking income or miscellaneous income. If so, how?

**Office rent**
Rent is by far the largest source of revenue for office buildings. You can increase this revenue stream by increasing rate and square footage or decreasing concessions and vacancy. In the area of office rent, consider:

*The rental rate:* When was the last time you studied market rents, concessions and occupancy rates? It is important to do market surveys often and ask the right questions to ensure you are not leaving money on the table. If you’re 100% occupied, is your rate too low? Know your market and adjust your rent to market.
Do you have the right brokerage team? When was the last time you interviewed several brokerage teams to get different perspectives on the market and your building? Brokers are experts on the market and most likely have competed against your building. Get their ideas on its strengths and weaknesses. What rent and concessions do they recommend? How quickly do the brokers think they could lease your vacancies? You might be able to improve your building’s standing in the market and, hence, the rental rate.

Rent escalators: Use rent escalators in your leases to keep pace with inflation as well as increase your annual rental collection from existing tenants. Common escalators include:
- Stepped increases (for example, $1 PSF per year or 3% per year)
- Variable indexed increases (typically tied to an index that tracks the rate of inflation, such as the consumer price index, or CPI)
- Operating expense increases (base year, expense stop and triple net)
- Percentage-of-sales clauses typically found in retail leases

Capital improvements: Consider these upgrades to increase a property’s marketability and generate higher rental rates. Areas to focus on include the building’s curb appeal, renovation of common areas, amenities and green policies. These improvements seem to generate more velocity and rental growth than capital improvements involving mechanical or roofs.

Greater velocity: Vacant space is potential revenue that is lost forever. Create a sense of urgency about renting your vacancies. Every lead matters. If brokers and managers get only one or two chances a week to rent a space, how they handle those opportunities is critical. Create a scripted showing to highlight the property’s strengths. Make sure curb appeal, common areas and vacancies are in top condition. Do you have competitive market rent and concessions, as well as a marketing strategy? Monitor your closing success, and get feedback from your leasing efforts. When it comes to pass-through mistakes, common ones include missing the deadline for the invoice; not grossing up comparison years for occupancy; and not including all expenses allowed, such as permitted amortized capital expenses, interest, ownership expenses and capital expenses. The bottom line is, if you don’t read the lease carefully, you may be losing income opportunities.

Income ideas

- Here are some options to consider when looking for new income sources on your property.

- Roof top satellite/antennas
- Late fees
- Advertising/signage/billboards
- NSF charges
- After-hours HVAC charges
- Recycling programs
- Submetering of tenant’s electricity
- Conference & media room rental
- Storage
- Concierge services
- Bike storage
- Above-standard janitorial charges
- Pet rent
- Building Wi-Fi
- Gym range
- Common area rentals
- Car wash
- Administrative fees

For example, a client of mine remeasured a 93,400-square-foot suburban office building in Orange County, California. By doing so, the building picked up 2,300 additional square feet. rents on this building are $13.50 PSF per year triple net. As a result, the potential gross income grew by $35,880. With this, the building’s value increased significantly. Buildings in this market have average sales prices of $300 PSF (2,000 sq. ft. x $150,000/1,000 = $300,000), and cap rates in this market have averaged 5.8% ($355,880/60 = $5,930/00). Either way you value the property, the client created approximately $700,000 in value, and the total cost for the building’s remeasurement was less than $2,500.

Operating expense pass-throughs

Office pass-through clauses can be confusing and complex. However, it is very important to understand and enforce them. Owners and property managers who find them too complex or incoherent will lose money. When applied without being fully understood, they can be misapplied to the detriment of the landlord. Again, lost income!

For example, the new property management team on a building in Los Angeles reviewed the historical pass-throughs and found the lease allowed the landlord to pass through the increases in ground rent. The ground rent had escalated approximately $100,000 over most of the tenant’s base years. The team decided to pass through the increase, which resulted in $850,000 in new revenue annually. This translates to $1,000,000 in value.

When it comes to pass-through mistakes, common ones include missing the deadline for the invoice; not grossing up comparison years for occupancy; and not including all expenses allowed, such as permitted amortized capital expenses, interest, ownership expenses and capital expenses. The bottom line is, if you don’t read the lease carefully, you may be losing income opportunities.

Retail rent

Can you create retail space out of office space? Ground floor space in larger office projects or projects adjacent to dense population areas with good foot traffic may be right for conversion. The addition of retail or other amenities can increase the rent on the office space.

Keep in mind that conversions are often capital-intensive. Less capital-intensive retail options include coffee carts, vending machines and snack shops.

Parking

Along with market rent for office space, you should survey the market parking rates often to make certain you are maximizing revenue. Do you have the right mix of reserved, monthly and transient spaces to maximize revenue? Can you raise rates on any of those categories? Periodically interview parking service providers to get their opinions on rates, mix and occupancy levels. Like remeasuring a building, can you create more spaces by reconfiguring?

Is the parking deck or lot being underutilized? If so, consider leasing the unused spaces to non-tenants, such as an adjacent building’s tenants, car dealers or rental companies and government agencies. If your property is near a stadium or college, consider whether event attendees could park there.

Miscellaneous or other income

Finding new sources of income can be more of a challenge. Get creative with adding amenities, services and fees. There might be opportunities for adding income through other services and amenities (see sidebar on P 28).

In Orange County, the owner of an office building takes advantage of a particularly large and lovely lobby by renting it out on weekends for weddings and other events, including my daughter’s high school dance. The building charges $5,000 per event and has brought in roughly $50,000 annually.

Pay it forward

Maximizing your revenue from all sources is an ongoing process. Work with your team to keep revenue generation and value top of mind. Be creative and open to new ideas. Involve all stakeholders including owners, managers, accountants, vendors and contractors, who often have some of the best ideas for new revenue. As an IREM instructor, I always ask my class, “How have you created value?” I have “borrowed” some wonderful ideas from them as well.

A benefit of being a third-party property manager is all the accolades we get from tenants, owners and vendors. Just kidding! The benefit is learning from all these individuals and then sharing the best practices they generate to all your clients. My sincere thanks to my team, owners, vendors and students for all that you have taught me.

Thomas A. McAndrews, CPM, CSM, is the founder and president of Tanner Real Estate Services, a West Coast regional real estate firm with offices throughout California and Colorado. He is also an IREM instructor and teaches certification courses both in the U.S. and internationally.
In the modern film classic “Field of Dreams,” Kevin Costner’s character receives some otherworldly wisdom: “If you build it, he will come.” This works very well for fictional farmers who want to turn a parcel of farmland into a baseball field—especially one that has no admission fees.

But in the real world of property management, owners have built rental accommodations with an eye to getting a fair return for their investment. They and, by extension, their property managers, expect to have rents dutifully paid according to the terms of the lease. The lease is a contract, a good-faith agreement that the renter and landlord enter into based on certain assumptions, the main one being that the renter can pay the stated rent. The property/leasing manager relies on the rental application for income information, as well as the person’s identity, creditworthiness, rental history and more to determine if the person can, in fact, pay.

If information on that application is deliberately falsified, it can lead to a costly chain of events for property managers, beginning with skipped rent and possibly ending in eviction.

Chad Vasquez manages Circa LA, a premier Greystar Management Services, AMO, property in downtown Los Angeles. He has been in the industry for more than a decade and admits that bogus applications have become a bigger problem than ever before. “In some markets it is very prevalent,” he asserts. He notes that a property’s market factors into the degree of risk. He managed properties in Hollywood before moving downtown and shared that he had to deal with a fair number of bad-paying residents in the area, which attracted a lot of newcomers.

The attraction factor hasn’t gone away, though, now that he is responsible for a 648-unit pair of luxury towers across from L.A.’s Staples Center. He still sees fraudsters lining up to try to get in. “Developers think that when you build something really grand and sophisticated, they’re going to get really good-paying renters. But we get a lot of people who know the law [around evictions] and are trying to live rent-free, even if it’s just temporarily.”

The scope of the problem

A 2018 survey of property management companies confirms that application fraud is an ongoing and
Another factor resides in property managers’ own push. Ninety-seven percent of them had experienced fraud in the application process. The process has also gone digital; respondents to the Forrester survey report that roughly 50% of applications are now made online. In some cases, managers eager to give a quick, positive response to a prospect may not take the time that is really needed to vet the applicant.

That’s how they get you

There are two main categories of fraud that are being perpetuated. The first type revolves around identity documents. Applicants use fake driver’s licenses or stolen or fake social security numbers. Scott Ellerbrock, president of AmRent, a national renter screening service, says that ID fraud is one of the biggest problems in the industry. “Eighty-five percent of all fraud is synthetic identity fraud,” he says. “With today’s technology, someone committing fraud can present what appear to be valid documents and history—including credit history—which makes it very difficult to stay ahead of fraudsters and identify them before they move in.”

Trying to detect fraudulent IDs or stolen credit cards and social security numbers manually is a difficult and time-consuming process. Some fraudsters cobble together pieces of valid information from several sources, effectively cloaking themselves in realistic data. “In the last five years, I’ve seen all sorts of ways people try to fool you,” Vasquez says. “But as seasoned as I am, I was not able to find out everything about [certain bad payers]. I can only imagine that people who are new to the business or who’ve moved to a new region are probably missing twice what I’m getting.”

Many managers have relied on in-house tools to screen applicants, but that is changing. To combat the groundswell of fraudulent applications, property managers are starting to use third-party providers who offer services that can quickly run checks on everything from rental history to identity theft to criminal history. For example, AmRent “recently rolled out a new product called REV (Rapid Employment Verification) that uses an applicant’s direct deposit history to help our customers electronically verify income and employment, as well as identify pay stub fraud,” Ellerbrook reports.

There are companies that help with fake driver's licenses or social security numbers. We saw an opportunity to work with financial fraud.

—Daniel Berlind, Snappt Group

By the numbers

- Estimated rate of evictions due to fraud 15%–30%
- Estimated percentage of fraudulent applications 8% in-person applications, 15% online
- Typical number of months of lost income per eviction 6 to 8
- Estimated cost of single resident eviction $7,000–$7,500
- Eviction filings per year (US: 2016–all causes) 2.3 million (1 in 20 rentals)

Sources:
“Misunderstanding And Inconsistency: The State Of Fraud In The Rental Housing Industry,” Forrester Consulting for TransUnion
“First-Ever Evictions Database.” NPR
Snappt survey, conducted by Reflux Research

Best practices

Make sure everything matches up. Deposits—especially automatic payroll deposits—should match amounts on the bank statement.

Call sources like employers and previous landlords yourself instead of relying on a supplied phone number that might belong to a friend or acquaintance.

Conduct an interview. The applicant should be prepared to present a photo ID, as well as hard copies of utility or phone bills from the address on the application.

Growing the problem. The survey “Misunderstanding And Inconsistency: The State Of Fraud In The Rental Housing Industry” was prepared by Forrester Consulting on behalf of the credit reporting agency TransUnion. The respondents, who managed anywhere from two to more than 10,000 units, reported that 93% of them had experienced fraud in the properties they managed over the previous two years. A significant portion—73%—said they discovered the fraud after move-in.
Open-ended Office space and remote working in the age of COVID-19
By Sam Azasu and Dr. Yomi Babatunde

With the worldwide spread of COVID-19, the property management industry has been thrust into the conversation about office layout best practices. This is a perfect opportunity to review how property owners and managers can use space planning to help tenants achieve their work goals and keep workers safe, and how changes in remote work policies can be best incorporated moving forward.

Workplaces around the world have been moving away from traditional cubicle design toward open plans and co-working-inspired designs. Among the reasons for this shift are developments in mobile computing. This was before the opnings in mobile computing. This was before the

The sometimes frowned-upon notion of remote working has become normal and accepted.

The conditions for remote work vary based on country. In countries like Sweden, mobile computing is allowed under strict conditions—the employer is required to ensure the employee’s home workspace passes health and safety checks and the employee has the right equipment to work from home.

Spain tried to buck the trend toward greater remote working when they put in place in May 2019 a requirement for employers to record the length of employees’ worki

Remote working, by its nature, reduces chances for accidental meetings that lead to strong bonds and the discovery of the skills and talents of the people we work with. Dealing with this requires the installation of strong technological infrastructure that facilitates information sharing and remote teamwork. This infrastructure must be highly protected from cyber-intrusion as well. The role of property managers in the maintenance and security of IT Installations will only grow as a result.

What the research says

Longitudinal studies have shown significant deterioration in workspace satisfaction with the rise of open offices. The studies find that open-plan layouts increase distraction and eliminate privacy.

What is clear is that property managers and their employ

A young chapter continues to grow

In 2018, IREM established its first chapter on the African continent, the South Africa Gauteng Chap-

These issues are all at the forefront as we reconsider open-plan spaces, co-working arrangements and remote working. The future of the office is happening now, and property managers’ roles are evolving with it. We must watch these developments carefully to provide the best solutions for our tenants.

 Bookmark


Thirsty for knowledge

The Education and Knowledge Products Committee supports the need to always keep learning

By Jeff Bettinson, CPM

As IREM upholds its standing as a knowledge-rich institute, the Education and Knowledge Products (EKP) Committee plays a key role in guiding the development and delivery of content that is relevant and useful to our industry.

Our group of dedicated committee members has tackled IREM content from several angles, from the platforms on which knowledge is delivered in an era of rapid digital transformation, to more foundational formats like publications and courses. We’re also working on projects that will maintain the Institute’s position as a trusted source of industry knowledge. The committee has already completed several projects in 2020, with more to come before the year is done.

New IREM delivery channels and content

One of the really exciting projects the committee launched in 2020 is the IREM Learning App, a mobile version of the IREM Learning Platform, allowing students to learn on the go. In the IREM Learning App, students can do things like access their course materials, take online courses and attend webinars. They can even download content, similar to Netflix, so that learning can continue when Wi-Fi is not available.

You may have noticed that we also completely redesigned JPM Online with a brand-new look and more searchable content. This fresh digital format turns JPM, which many of us consider a key member benefit, into a constant source of expert insights and useful tips. I encourage you to bookmark JPM Online on your browser now at jpmonline.org.

We’ve released the next edition of Practical Apartment Management, a mainstay IREM publication that continues to be a time-tested, comprehensive and practical guide to trends and best practices in residential management. The updated edition has today’s marketing and leasing strategies, key amenity and service differentiators for staying ahead of the competition, new trends in technology and property management, and expanded coverage of assessing the investment potential and market value of the property.

And in response to changing demands of the industry, we also launched the course Managing Mixed Use Properties (MXD202), as this asset type continues to see increased development. As a source of knowledge for all asset classes, IREM is uniquely positioned to address this demand. The course teaches key considerations for managing mixed use properties from maintenance to staffing and budgeting.

This year, IREM will offer over 100 live webinars on topics from CAM reconciliation to leading teams to social media marketing, in addition to on-demand courses that can be accessed and viewed at any time through the IREM website.

IREM responds to COVID-19

The onset of the COVID-19 outbreak in early 2020 prompted the EKP Committee to shift IREM’s means of education delivery, initiating a move to a virtual delivery model for many courses. Instructors quickly learned the new platform and were able to facilitate courses to students everywhere. Our responsiveness has allowed hundreds of students to continue uninterrupted on their paths toward a certification.

We’re always trying to find the silver linings during this pandemic, and one such item was the launch of a new IREM podcast—From the Front Lines. This podcast series began as a way to share important information and best practices as managers around the world dealt with the impacts of COVID-19. The podcasts cover pandemic-related challenges—and surprising opportunities—in areas such as virtual leasing, business interruption insurance, cleaning techniques and remote team management.

Timely content, backed by research

As always, our committee has guided development of content. For example, we continue to suggest topics to cover and identify webinar speakers and JPM authors. We have one workgroup, or subcommittee, that focuses specifically on this, to make sure our organization gives members and the industry timely information.

A second committee workgroup has focused on an upcoming revision of the Best Practices: Real Estate Management Service publication. This publication shares over 50 best practice statements organized around four categories:

- The management company
- Client relations
- Management of the property
- Tenant and resident relations

A third workgroup of the committee has contributed to another exciting project this year—the Job Analysis survey. On a periodic basis, IREM works with a professional psychometrician consulting group to conduct an analysis of the property manager’s role. We use the data to ensure that our course content and exams continue to meet the needs of the profession. This workgroup will review survey results and determine any next steps based on the outcomes of the survey.

Forging ahead

Recent experiences have only served to remind us all that the real estate management industry is vital to our communities and the people we serve.

We need a near-constant stream of information on both established best practices and emerging trends in order to do our jobs well and operate safely, successful properties.

IREM’s Education and Knowledge Products Committee is committed to helping managers everywhere get that information and build knowledge for today’s challenges and tomorrow’s opportunities.

Jeff Bettinson, CPM, is the chair of IREM’s Education and Knowledge Products Committee and an IREM instructor. He is the owner of an Airbnb vacations franchise in Utah, managing vacation rental properties for clients along the Wasatch Front. Read his insights on short-term rental management in the Property spotlight column of JPM’s Apr issue.
Amenities reign supreme
Many of these communities offer amenities like furnished units, access card swipe, elevators and even 24/7 doormen. The list continues with pools, gyms, upscale common areas, outdoor terraces and large-screen TVs. Renters pay by the bedroom, free of responsibility of finding roommates or paying the price of empty bedrooms. Parents, many of whom are guarantors, like the updated safety offerings.

While renters might pay a premium for the amenities, Bronstein says it is well worth the price tag. "For better or worse, the cost of getting a degree is higher. So when people look at the relative cost of nice housing, it offers a lot of value and flexibility." 

Demand for more
The popularity of these communities began growing in the early 2000s when increased university enrollment demanded better housing options. In 2000, 132 million undergraduate students enrolled in degree-granting postsecondary institutions. By the fall of 2019, that number had reached 16.9 million, according to the National Center for Education Statistics.

Bronstein and his brother, Eric, began developing these modern student housing communities in 1999 after experimenting with purpose-built housing and forecasting for increased demand.

Investment interest in this housing option has also climbed. According to data by Knight Frank, global investment into purpose-built student accommodation reached a record $16.3 billion in 2018.

Bronstein predicts this interest will only increase. "Student housing is an industry that had zero innovation in the last 70 years. This is 100% the housing of the future.

Residing in a pandemic
Along with providing desirable amenities and answering a need for a growing student population, the spread of COVID-19 has given modern student housing another opportunity to prove its value. When schools began shutting the doors of the university-run student housing, Bronstein says that the Scion Group signed hundreds of leases within a few weeks. He notes that the modern communities have adapted to the pandemic with actions like closing common areas and bumping up the frequency of cleaning schedules.

They also were in a good position to facilitate contact-free leases, as they had already been closing approximately 75% of leases electronically before the pandemic. Bronstein expects leasing to reach 90% soon.

Neighborhood ways
Without a university or college, there would be no student housing, so this is a relationship that enterprises like the Scion Group do not take lightly.

"It’s a symbiotic relationship," Bronstein says. "We try to be a good neighbor to them because if something negative were to happen, it falls on their doorstep as well."

As for the universities, Bronstein says he believes they recognize the benefits of having these high-quality communities near campus. Because of these additional housing options, universities are able to close down functionally obsolete residence halls from the ‘90s or ‘80s and be more selective about who lives on campus, he says.

"Many large public schools house first-time freshmen and a few other select populations, and they are happy to have students who do not fit those categories live off-campus in safe, high-quality housing," he says.

In some cases, the Scion Group has master-leased space to the university or college if it needs to expand for, say, a group of athletes or international students.

Property management amplified
Property managers used to have the same skillset as multifamily property managers, but perhaps with some additional twists. They must be prepared to have close relationships with not only students—who might be adjusting to living on their own for the first time—but also their parents.

"Students may not know how to pay bills, how to work the thermostat or how to request maintenance," Bronstein says. "It’s definitely more intense. We’ve had managers who have said, ‘I’m going back to regular multifamily’".

One of the biggest challenges for a student housing property manager is facing a 70% turnover rate year after year, as many leases begin and end with the academic year.

Comprising about 93% students, the renters in these communities are generally responsible and take care of the property.

“Our customer tends to skew 55–60% female, and we have a lot of international students who are looking for a furnished apartment with utilities and are not necessarily looking for roommates," he says. "Many parents are the guarantors. We’re getting a student who’s looking for a nice place, and they treat it that way.”

A glimpse into the future
Not only does Bronstein believe these communities will be the future of student housing, he thinks the popularity of this housing type is indicative of the path for other multifamily housing. Some multifamily properties have taken note and begun adding amenities like more vibrant common areas, furnished units and included utilities.

“If someone wants to know what multifamily housing is going to look like in five or 10 years, look at student housing," he suggests. "As we’ve had more dialogue with the largest multifamily owners, they’ve recognized that our renters today are their renters in a year or two.”

For decades, the student housing experience was a predictable one. Freshmen, for the most part, lived in on-campus dormitories with a roommate; sophomores and upperclassmen had the increased options of off-campus residencies—two-flats, smaller rental houses, apartment complexes with few amenities—or sorority or fraternity houses, for some. While these are still options, many of today’s university students also have choices that offer additional comforts and conveniences.

"Modern student housing is dramatically newer, nicer, safer and better run," says Robert Bronstein, president of the Chicago-based Scion Group. "Our buildings look like modern Class A apartment buildings."

The largest privately held owner-operator of student housing communities in North America, the Scion Group has a portfolio of 86 communities with 55,000 bedrooms on 54 campuses. Almost all of the Scion Group’s communities are located near large public institutions of higher education, such as the University of Florida, University of Georgia and Purdue University in Indiana.

The biggest building in the Scion Group portfolio has around 1,500 bedrooms, and most of the others have at least 350. The average is 692.

Stellar dwellings
Today’s upgraded student housing

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Hearing the words “federally assisted housing” aka “affordable housing” brings to mind for many the large, high-density public housing in the U.S. What may not be as well-known is that efforts to develop quality affordable housing in the United States began almost half a century earlier.

In the beginning
The first affordable housing development was the Garden Homes built in 1923 in Milwaukee. After this initial effort there were several attempts made through government initiatives to provide reasonably priced housing to low-income families. The first of these were the Housing Division of the Public Works Administration, a key part of the New Deal, and the Wagner-Steagall Act of 1937, which created the construction of 50,000 affordable units in 1939 alone.

The Housing and Development Act of 1965, which created the U.S. Department of Housing and Urban Development (HUD), elevated housing to the cabinet level. The creation of HUD allowed for public/private partnerships where housing subsidies were provided to residents in homes built through private construction. Resident-based subsidies still exist today in HUD’s Housing Choice Voucher program, which assists 2.5 million households in meeting their housing costs.

Efforts under the Consolidated Farm and Rural Development Act of 1972 promoted the development of affordable housing in rural areas for both homeownership and multifamily rental properties. Known as rural development, or RD, the rental properties are typically small and located in less populated areas of the country. RD-funded rental properties total about 15,000, a much smaller number than the HUD-funded 22,000 properties and 1.4 million public housing units throughout the country.

Two new programs in one legislative act
The Housing and Community Development Act of 1974 created two programs that support affordable housing. First—and maybe best known—of these is the Section 8 program, under which rents are directly subsidized. This was the first program where rental subsidies were project-based. A family residing in a Section 8 property pays for rent with 30% of its income. Eligibility for these properties is restricted to individuals or families that are extremely low-income, i.e. earning 30% of median income.

The demand for project-based Section 8 apartments left the market open to abuse of the system. One area of abuse was in income reporting. In late 2009, HUD implemented the Enterprise Income Verification (EIV) system. This online system provides managers with a database of employment and income information for all residents in HUD-subsidized housing. Use of this system has increased the accuracy of subsidy payments, ensuring families are truly paying the correct amount, or their designated share, of rent.

The second program was the Community Development Block Grant (CDBG) fund. CDBG funds are provided to municipalities and can be allocated for a variety of projects related to economic development. Typically, about 25% of CDBG funds are utilized each year for housing-related development. Unfortunately, CDBG funding has steadily decreased over time. In 1979, $13 billion was allocated to CDBG funds. This amount has decreased to under $2 billion in the 2019 fiscal year.

Alternative approaches came with the move away from project-based developments. One was the HOME Investment Partnerships Program, which is similar to CDBG. However, unlike CDBG, there is a matching funds requirement. This means for each HOME dollar allocated, there is a matching liability created. This liability is satisfied through other contributions for affordable housing, such as cash, donations of land or other state or local funds. These other contributions stretch the HOME funds further, maximizing each dollar.

New legislation brings a notable shift
The Tax Reform Act of 1986 impacted affordable housing development significantly. This legislation created the Low Income Housing Tax Credit (LIHTC). While not a direct funding or subsidy program like Section 8, LIHTC has been the primary vehicle for affordable housing development since its inception. The premise of LIHTC is simple: Private equity is incentivized to develop housing through a dollar-for-dollar reduction in income tax liability. The credits are allocated by each state via a competitive process. Once awarded, credits are sold to equity investors. The cash generated then funds development costs. In exchange for the credits, the property is restricted as affordable for a minimum 30-year period.

LIHTC rents are based on area median income (AMI). Eligible individuals earn at or below 50% to 60% of AMI for the area where the property is located. Rents at these levels can exceed $1,000 or even $2,000 per month in high-income areas. This rent level remains unaffordable for many individuals despite the homes being income-restricted and marketed as affordable.

A Government Accountability Office (GAO) study in 2018 found that between 2011 and 2015 there was annual development of 50,000 new units under LIHTC. Coincidentally, this is the same number of units built in 1939 under the Wagner-Steagall Act, when the U.S. population was at 131 million—60% smaller than today.

The scarcity of—and fierce competition for—LIHTC allocations often means several funding sources are combined for a single property. CDBG, HOME and LIHTC may be layered with existing HUD or RD subsidies. Each of these programs has its own compliance guidelines and regulations. Along with EIV, mentioned earlier, compliance requirements can be overwhelming. For example, individuals approved by HUD can only view HUD EIV information. Since LIHTC compliance is separate, you must maintain double files, one for the HUD subsidy and one for the LIHTC compliance.

The intense competition in each state for LIHTC awards has led to developers offering additional support services to residents in order to strengthen their funding applications. These services can include life skills, financial literacy, educational classes and on-site healthcare services. Without these programs, it is unlikely that a proposed development can receive a LIHTC award.

The challenges of today’s affordable housing
Affordable housing development today is not as much development of new housing. It is redevelopment and preservation of the older project-based Section 8 housing and RD multifamily properties constructed 40 to 50 years ago. This has resulted in new challenges for those managing affordable housing.

Doing more with less has been the mantra for affordable housing for many years. Program compliance, which is typically not consistent between the four or five funding sources, means managers are completing multiple reports. This reduces available time to connect with residents.

With preservation as the focus, the need for additional affordable homes isn’t likely to diminish for many years. While the challenges of developing and managing affordable housing are many, so are the rewards. It’s gratifying to see a family settle into a home. Ending each day knowing you made a difference for someone is a feeling that compares to nothing else.

Eileen Wirth, CPM, MBA, HCCP, SHCM®, NAHPe® is president & CEO of the Octavia Hill Association, Inc. (OHA) and is responsible for overall company operations, as well as new development, refinancing, sales and major renovations. She currently serves on the IREM Federal Housing Advisory Board and IREM Foundation Board of Directors.
Investing in employee development is a must for companies today.

The most successful companies realize they have to invest in their future,” says Shannon Alter, CPM, the owner of Leaders Exceed in Santa Ana, California. “And people are the future.”

Retention deficit
COVID-19 has changed the labor market, and we’re still getting clarity on the pandemic’s effects. In property management, attracting and retaining employees are ongoing priorities for every company, no matter the economy, and some positions are a revolving door for talent. Prior to the pandemic, voluntary turnover was skyrocketing, and in pandemic conditions, you still have those employees to keep.

Companies struggling to keep employees might be neglecting the important truth that more than ever, today’s employees want to learn and grow. Many workers value development as much, if not more, than salary. According to a 2019 Work Institute report of people who quit their jobs, 22% of employees left to improve their career development, the top reason for leaving. Only 9% left because of compensation and benefits. The real kicker? More than 75% of employees who quit were willing to stay at the company if only the company made efforts to keep them.

“If individuals are not seeing companies invest in them, they will seek out other organizations that will,” says Leo Turley, CEO of H Two National, a real estate executive search firm in Charlotte, North Carolina.

The financial hit from turnover can’t be understated. For lower-level employees, a single instance of turnover can cost roughly $3,300, according to a 2019 Seidco report. And those costs can climb substantially with more senior employees. In the U.S. alone, turnover cost companies an estimated $650 billion in 2018, according to a Work Institute report.

Companies need to let employees know that they care and have a professional development plan for them. Alter says, “That should begin the second they walk in the door on their first day, when their buy-in and enthusiasm are the highest.

“I think that 99.9% of people want to do things the right way, and employees want to know how you do it—what your best practices and guidelines are,” Alter says. “Training lets people know you’re invested and willing to put the financial support behind them, which is crucial to retaining.”

Benefits abound
For Turley, having his employees generate greater sales numbers is a profit booster, which is, of course, a plus. But he also sees a personal benefit. If employees are capable, confident and engaged, he doesn’t need to provide as much oversight. Seeing Turley to spend more time on his own work. It’s a win-win.

Value adds
Of course, training isn’t only about avoiding loss. It’s also about generating value, and development programs can create engaged employees who are better at their jobs. That’s especially true if organizations tie training directly to business goals.

“If an associate doesn’t understand what the core of the organization is about, then they’re not going to feel connected to it,” says Topher Olsen, MFA, MEd, the vice president of learning and development at Roscoe Property Management, AMO, in Austin. He was previously the senior director of learning and culture at Alliance Residential Company, AMO.

One such program that Olsen oversaw was focused on developing the regional manager role, with the goal of having 90% of regional managers earn an IREM CPM designation. “We really feel that the CPM designation elevates the mindset of a regional manager to that of an asset manager,” Olsen says.

In part, the IREM CPM courses help regional managers talk to clients at a much higher level, Olsen says. “Our clients are giving us more business because they feel more adequately supported due to the level of knowledge our CPMs are bringing to the table.”

As a result of this ability to help the company’s bottom line, many of its internal promotions, such as to regional vice president or vice president, have gone to regional managers who have earned the CPM designation, Olsen says.

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Denver-based Mill Creek Residential has welcomed a new vice president of property management to its growing team. Adam Berger, CPM, now oversees Mill Creek’s Central region of Colorado, Texas and Arizona. His new duties include the launch and execution of a robust portfolio of new developments and acquisitions contributing to the rapid growth trajectory Mill Creek has been on since forming in 2011. Prior to joining the Mill Creek family, he was with Alliance Residential, AMO, for several years, most recently serving as regional vice president for the company’s Denver market.

Philadelphia’s Pennrose Management Company, AMO, has appointed Christine Lacy, CPM, as its vice president of operations. In this role, Lacy will oversee management assignments for properties in Pennsylvania, New Jersey, Connecticut and Massachusetts. Lacy has practiced property and asset management for more than 30 years. She spent the previous 12 years as director of Inglis Housing Corporation, providing property management services to communities designed for the physically disadvantaged. Her industry experience includes urban planning and development and covers a variety of property types, from market-rate to senior housing. Lacy is also the 2016 recipient of the IREM Southern New Jersey Chapter’s CPM of the Year award and served as the chapter’s president in 2017.

CPM Candidate Meg Perry was recently made a senior property manager by Harsch Investment Properties in Portland, Oregon, where she’s been moving up in the ranks since joining the firm in 2016. Harsch owns and operates a variety of properties in six Western states, and the focus of Perry’s new position is on the Portland portfolio. Her role puts her in charge of 15 properties, a total of more than 600,000 square feet of office and industrial space occupied by 40 tenants.

Disciplinary action was taken against David L. Lane by the IREM Ethics Inquiry Board. The Ethics Inquiry Board was notified that Mr. Lane is no longer licensed to practice real estate in the state of Mississippi, and therefore terminated his IREM membership and status as a CPM effective April 10, 2020 pursuant to the procedures set forth in the IREM Statement of Policies Article II: Section 5.

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Congratulations to our new certification recipients!

New CPMs

Arkansas
Quick A. Mack, CPM, Bentonville

California
Justin C. Rock, CPM, ARM, Norco
Ikenna E. Chinyere, CPM, Long Beach
Sharon R. Ramirez, CPM, Concord
Michael Sheehan, CPM, San Diego
Christopher D. Walter, CPM, San Jose

Florida
Erin E. Green, CPM, Indianapolis

Georgia
Laura Vice, CPM, Marietta

Illinois
Haley Rafferty, CPM, Elmhurst

Nebraska
Troy E. Severson, CPM, ARM, Lincoln

New CPMs

Canada
John Burdi, CPM, Toronto, Ontario
Jordan Millward, CPM, London, Ontario

Japan
Shunichiro Aba, CPM, Fukuoka-City
Yuiko Aruga, CPM, Tokyo
Masahito Ebihara, CPM, Tokyo
Shunji Fujita, CPM, Tokyo
Hideki Fujishima, CPM, Tokyo
Masayuki Hanatsuka, CPM, Fukuoka-City
Tatsunobu Hayashi, CPM, Hiroshima-City
Ichiro Hirota, CPM, Sapporo-City
Yusuke Hisaoka, CPM, Kanazawa
Mutsuko Honda, CPM, Kumamoto-City
Masaki Hori, CPM, Tokyo
Shunichirou Abe, CPM, Fukuoka-City

North Carolina
Katherine C. Presley, CPM, Charlotte

Puerto Rico
Oscar E. Juilie, CPM, Guaynabo

South Carolina
Joseph A. Fabis, CPM, Charleston

Tennessee
David S. Jenkins, CPM, ARM, Arlington

Texas
Jill Goughum, CPM, Austin

Virginia
Merelich Short, CPM, Chantilly

Washington
Margaret E. Atwater, CPM, Seattle

Yanuka Katha, CPM, Satta-City
Noriyuki Kato, CPM, Hokkaido
Toshikazu Katsuki, CPM, Fukuoka-City
Kazuya Kazumi, CPM, Tokyo
Shota Kido, CPM, Osaka-City
Ryo Kobayashi, CPM, Tokyo
Riyo Kojima, CPM, Fukuoka
Yuhei Kondou, CPM, Toyama
Hidenaga Kominori, CPM, Fukuoka-City
Ryu Kohshu, CPM, Tokyo
Machiko Kotani, CPM, Osaka-City
Tetsuo Koyama, CPM, Tokyo
Shinya Kudo, CPM, Sapporo-City
Kojiro Kumanos, CPM, Aichi-Ken
Takayuki Makishima, CPM, Tokyo
Kiyoharu Matoba, CPM, Kanazawa-City
Takashi Matsuo, CPM, Fukuoka-City
Satomi Matsunaga, CPM, Kikuchigun
Kenji Matsushima, CPM, Okayama-City
Toshido Matsuzumi, CPM, Toyama-City

Hidetaka Murat, CPM, Fukuoka
Takanari Miyazaki, CPM, Suita-City
Kyoichiro Nagasaki, CPM, Fukuoka
Kenji Nakajima, CPM, Osaka-City
Akiko Nishimura, CPM, Yokohama-City

New ARMs

Arizona
Ruben Chavez, ARM, Tucson
Mary Alice Clark, ARM, Tucson

California
Lucia Ambrozich, ARM, Costa Mesa
Lauren R. Brown, ARM, Los Angeles
Danielle G. Devine, ARM, San Diego
Ammar Issa, ARM, Anaheim
Brigette Nameth, ARM, Culver City
Johnny Ramirez, ARM, Los Angeles
Cheryl Salibury, ARM, Encinitas
Christina Verrisimo, ARM, Pasadena

District of Columbia
Tiffany D. Knight, ARM

Florida
Bryan Burks, ARM, Cape Coral
Alex Ruiz, ARM, Apopka

Georgia
William Alice, ARM, Atlanta

Hawaii
Laurie Ann Chan, ARM, Honolulu
Gregory Skaita, ARM, Honolulu

Illinois
Badza Ramirez, ARM, Chicago

Indiana
Lance Anglin, ARM, Plainfield
Aliyah Clark, ARM, Indianapolis

Iowa
Carson K. Adams, ARM, Des Moines

Maryland
Sally Ceesay, ARM, Chevy Chase
Angela Davall, ARM, Upper Marlboro
DeWayne Roach, ARM, Hyattsville

Massachusetts
LaNette Francis, ARM, Roslindale
Casey Howe, ARM, Plymouth
Patricia Lynch, ARM, Cambridge
Wesley M. Mokley, ARM, Plymouth

Nevada
Mark Sandgren, ARM, Henderson

New Jersey
Elisa Coteron, ARM, ACoM, Bloomfield

New York
Joy Y. Kelly, ARM, Buffalo
Jeffrey Santiago, ARM, Bronx

Ohio
Kayla Hatterer, ARM, Dublin
Chatney Martin, ARM, Columbus

Indiana
Lance Anglin, ARM, Plainfield
Aliyah Clark, ARM, Indianapolis

Iowa
Carson K. Adams, ARM, Des Moines

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Joy Y. Kelly, ARM, Buffalo
Jeffrey Santiago, ARM, Bronx

Ohio
Kayla Hatterer, ARM, Dublin
Chatney Martin, ARM, Columbus
Congratulations to our new certification recipients!

Pennsylvania
Drew Kisai, ARM, Pittsburgh

Rhode Island
Dalia Andres, ARM, Providence
Helene Ball, ARM, Cumberland
Sean Carnahan, ARM, North Kingstown

Tennessee
Josie Gomez, ARM, Nashville

Texas
Mathew Alexander, ARM, Dallas
Amy Cagle, ARM, Euless
Jose Fuentes, ARM, San Antonio

Utah
Devon Jurado, ARM, Salt Lake City

Virginia
Angelique Gayle, ARM, Fairfax
Samuel W. Painter, ARM, Charlottesville

Washington
Rocky Jeet, ARM, Bellevue

Wisconsin
James Gartmann, ARM, Milwaukee
Andrea Hovey, ARM, Milwaukee
Tasha M. Jansen, ARM, Port Washington
Sean-Michael Tisdall, ARM, Wauwatosa
Jason S. Wahl, ARM, Brookfield
Kayleigh Wilson, ARM, Franklin

Canada
Rita Asadorian, ACoM, Mississauga, Ontario

New ACoMs
Arizona
Market Edge Realty, LLC, AMO, Phoenix

Colorado
Denver Housing Authority, AMO, Denver

Louisiana
Sustainable Housing Group, LLC, AMO, Metairie

Ohio
Equity, LLC, AMO, Hilliard

New AMOs
Arizona
Market Edge Realty, LLC, AMO, Phoenix

Colorado
Denver Housing Authority, AMO, Denver

Louisiana
Sustainable Housing Group, LLC, AMO, Metairie

Ohio
Equity, LLC, AMO, Hilliard

New Certified Sustainable Properties (CSPs)
California
Heather Ridge Apartments, Orangevale
Presidio View, San Diego

Colorado
University Park, Highlands Ranch

Connecticut
Westfarms Mall, West Hartford

Oregon
Kearney Plaza, Portland

New Jersey
Elisa Cotaron, ACoM, Bloomfield

Texas
Ashley T. Sims, ACoM, Houston

Virginia
Kiley J. Snyder, ARM, ACoM, Richmond

Canada
Rita Asadorian, ACoM, Mississauga, Ontario

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